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TO: IMMEDIATE PRIORITY MEA BRIEF.

WNINTEL

SUBJECT: HERewith SUPPORT CABLE FOR MIDDLE EAST BRIEF  
FOR 24 SEPTEMBER 1990.

FROM: DDI/O/CPAS.

SUBJECT: MIDDLE EAST AREA BRIEF FOR 24 SEPTEMBER 1990.

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Approved for Release  
Date JUN 1999

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1. IRAQ-KUWAIT: SITUATION REPORT

TERRORISTS TARGET US FORCES

ISLAMIC  
FUNDAMENTALIST GROUPS ARE PLANNING TERRORIST ATTACKS AGAINST US  
FORCES IN SAUDI ARABIA. THE PREVIOUSLY UNKNOWN "ISLAMIC MARTYRS"  
GROUP" WARNED IN A PRESS STATEMENT ON SATURDAY OF ATTACKS IF  
WESTERN FORCES WERE NOT WITHDRAWN WITHIN THREE DAYS.

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IRAQ THREATENS TO EXPAND CONFLICT

IRAQ'S REVOLUTIONARY COMMAND COUNCIL AND THE REGIONAL COMMAND OF IRAQ'S BATH PARTY ISSUED A STATEMENT YESTERDAY REJECTING ANY COMPROMISE AND THREATENING TO BROADEN THE CONFLICT IF WAR BEGINS. THE STATEMENT CHARACTERIZED IRAQ'S ANNEXATION OF KUWAIT AS AN "ETERNAL DECISION FROM WHICH THERE COULD BE NO RETREAT UNDER ANY CIRCUMSTANCES." IT ALSO REJECTED ANY ARAB-BROKERED COMPROMISE SOLUTION EXCEPT SADDAM HUSAYN'S INITIATIVE OF 12 AUGUST AND ASSERTED THAT A COMPLETE US WITHDRAWAL WAS THE FIRST STEP TO RESOLVING THE CRISIS. THE STATEMENT SAID IRAQ WOULD ATTACK THE MIDDLE EAST OILFIELDS AND ISRAEL "IF WE FEEL THAT THE IRAQI PEOPLE ARE BEING STIFLED."

THE STATEMENT IS BAGHDAD'S MOST EXPLICIT THREAT SO FAR THAT IT INTENDS TO EXPAND MILITARY CONFRONTATION WITH THE US TO ENGULF THE ENTIRE REGION. BAGHDAD ALMOST CERTAINLY IS TRYING TO PREPARE THE IRAQI PUBLIC FOR A PROLONGED CRISIS. THE REGIME PROBABLY ALSO HOPES ITS THREATS TO PULL OUT ALL THE STOPS IN A WAR WITH THE US WILL CHIP AWAY AT US PUBLIC SUPPORT.

2. SUDAN: ALL SIGNS POINT TO FAMINE NEXT YEAR

SUDAN IS IN THE EARLY STAGES OF A NATIONWIDE FOOD EMERGENCY THAT WILL THREATEN MILLIONS WITH STARVATION NEXT YEAR; THE BASHIR REGIME IS DENYING PUBLICLY THAT A SERIOUS PROBLEM EXISTS.

CONDITIONS ARE SIMILAR TO THOSE THAT PRECEDED THE SEVERE FAMINE OF 1985. DROUGHT HAS STUNTED THIS YEAR'S HARVEST, AND FALLING LIVESTOCK PRICES HAVE SHARPLY REDUCED THE AMOUNT OF CASH AVAILABLE TO BUY FOOD.

UN OFFICIALS PREDICT A GRAIN SHORTAGE OF AT LEAST 1 MILLION METRIC TONS NEXT YEAR. MANY REFUGEES ALREADY ARE FLEEING RURAL KURDUFAN PROVINCE FOR THE CITIES IN SEARCH OF FOOD, AND EXPECT AT LEAST 1 MILLION TONS TO ARRIVE IN KHARTOUM NEXT YEAR. FOOD RESERVES ARE LOW, AND THE REGIME DOES NOT HAVE THE FOREIGN EXCHANGE TO FINANCE FOOD IMPORTS.

COMMERCE MINISTER ELGAZ HAS CALLED THE FAMINE WARNINGS "SHEER LIES" AND BLAMED SHORTAGES ON MERCHANTS, BUT OTHER SUDANESE OFFICIALS HAVE ASKED UN REPRESENTATIVES FOR HELP AND ARE READINGY CAMPS FOR 100,000 REFUGEES AT AL UBAYYID. KHARTOUM HAS ALSO IMPOUNDED WAREHOUSE STOCKS BELONGING TO AID DONORS.

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DONOR EFFORTS TO DELIVER FOOD ARE COMPOUNDED BY THE CIVIL WAR. SECURITY CONCERNS AND DISPUTES OVER AID ALLOCATIONS HAVE LED THE GOVERNMENT TO DELAY RELEASING A UN-SPONSORED TRAIN TO UWAYL FOR MORE THAN A YEAR. KHARTOUM IS OBSTRUCTING THEIR EFFORTS, WHICH THE REGIME PROBABLY THINKS STRENGTHEN THE SOUTHERN REBELS.

INTERNATIONAL AID DONORS PROBABLY WILL NOT BE ABLE TO AVERT A FAMINE NEXT YEAR. IN THE MID-1980S TRANSPORTATION BOTTLENECKS HAMPERED RELIEF EFFORTS EVEN THOUGH KHARTOUM GENERALLY COOPERATED WITH DONORS. THIS TIME, THE REGIME IS BLOCKING THE EFFORTS OF MANY WESTERN DONORS AND AID GROUPS, AND BASHIR'S TILT TOWARD IRAQ HAS CAUSED SAUDI ARABIA TO STOP CONCESSIONAL WHEAT SALES.

### 3. LIBERIA: TENUOUS CEASE-FIRE HOLDING

THE THREE WARRING GROUPS HAVE AGREED TO HONOR THE CEASE-FIRE, CALLED BY REBEL LEADER CHARLES TAYLOR, THAT BEGAN AT NOON ON SATURDAY. TAYLOR AND RIVAL REBEL LEADER JOHNSON ARE TO MEET ON FRIDAY IN FREETOWN, SIERRA LEONE.

NO MAJOR VIOLATIONS DURING THE WEEKEND. NIGERIAN PRESIDENT BABANGIDA FLEW TO GHANA TO CONFER WITH HEAD OF STATE RAWLINGS ON THE STATUS OF THE PEACEKEEPING FORCE.

HE WILL BE HEADQUARTERED IN SIERRA LEONE. NEWLY APPOINTED FORCE FIELD COMMANDER DOGONYARO WILL DIRECT DAY-TO-DAY PEACEKEEPING OPERATIONS IN MONROVIA.

TAYLOR'S CALL FOR A CEASE-FIRE AND WILLINGNESS TO TALK TO JOHNSON MAY INDICATE HE IS READY TO NEGOTIATE. HE PROBABLY BELIEVES HE CAN BARGAIN FROM A POSITION OF STRENGTH, HOWEVER, AND IS UNLIKELY TO AGREE TO ANY INTERIM GOVERNMENT HE DOES NOT LEAD.

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## 5. IN BRIEF

## SOUTH ASIA:

X--INDIA HAS POSTPONED INDEFINITELY ASSEMBLY ELECTION IN PUNJAB STATE BECAUSE OF SIKH-RELATED EVIDENCE . . . PARLIAMENT ON 1 OCTOBER WILL DEBATE BILL EXTENDING CENTRAL GOVERNMENT RULE SIX MONTHS . . . LEGISLATION LIKELY TO PASS.

## MIDDLE EAST

## 6. ANGOLA: OUTLOOK FOR NEW TALKS

PORTUGUESE-MEDIATED RECONCILIATION TALKS SET TO OPEN TODAY BETWEEN LUANDA AND UNITA ARE LIKELY TO STALL OVER THE TIMING OF A CEASE-FIRE AND FORMAL RECOGNITION OF UNITA; BOTH PARTIES APPEAR READY TO RETURN TO THE BATTLEFIELD IF NEGOTIATIONS BREAK DOWN.

THE ANGOLAN GOVERNMENT AND UNITA APPEAR DEADLOCKED OVER LUANDA'S INSISTENCE THAT A CEASE-FIRE AND INTEGRATION OF MILITARY FORCES TAKE PLACE BEFORE IT RECOGNIZES UNITA AS A LEGITIMATE POLITICAL PARTY. UNITA, CONVINCED THAT LUANDA IS STALLING, WANTS EXPLICIT RECOGNITION AND FIRM COMMITMENTS ON POLITICAL REFORMS AND A MULTIPARTY STATE BEFORE AGREEING TO A CEASE-FIRE. LUANDA HAS RELUCTANTLY AGREED TO A PORTUGUESE PROPOSAL TO INVITE US AND SOVIET TECHNICAL EXPERTS TO THE TALKS.

## THE MILITARY OPTION

UNITA RECENTLY ANNOUNCED IT WAS SCALING BACK ITS ATTACKS ON GOVERNMENT FORCES AS A GOOD WILL GESTURE, A MOVE THAT ALSO WILL CONSERVE FUEL AND AMMUNITION; THE INSURGENTS REMAIN ACTIVE IN THE CENTRAL REGION AND HAVE STALLED A GOVERNMENT OFFENSIVE IN THE NORTH.

IN THE SOUTH, THE GOVERNMENT APPEARS READY FOR A MAJOR OPERATION AIMED AT GAINING CONTROL OF TERRITORY ALONG THE NAMIBIAN BORDER. LATE LAST MONTH GOVERNMENT AIRCRAFT BOMBED LIKUA, THE MAIN UNITA SUPPLY BASE, AND MUCUSSO, A SUPPLY BASE AND HOSPITAL ON THE BORDER. SIMILAR STRIKES HAVE OCCASIONALLY PRECEDED PREVIOUS GOVERNMENT OFFENSIVES IN THE REGION. THE GOVERNMENT HAS ABOUT 10,000 MEN DEPLOYED IN THE CAIUNDO-CUITO CUANAVALE AREA, ROUGHLY THE NUMBER IN PLACE WHEN THE MAVINGA OFFENSIVE BEGAN LAST DECEMBER.

## THE SOVIET VIEW

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THE USSR HAS INDICATED ITS DISPLEASURE WITH LUANDA'S RIGID STANCE IN THE TALKS AND HAS SAID IT IS WILLING TO ACT AS AN OBSERVER TO MOVE THE PEACE PROCESS ALONG. THE SOVIETS PROBABLY BELIEVE LUANDA WOULD TAKE A MORE SERIOUS APPROACH TO THE TALKS IF MOSCOW AND WASHINGTON WERE MORE DIRECTLY INVOLVED; THEY PROBABLY ARE URGING LUANDA TO COMPROMISE ON THE ISSUE OF UNITA RECOGNITION. MOSCOW DOES NOT WANT UNITA TO GAIN THE UPPER HAND IN THE FIGHTING, HOWEVER, AND HAS NOT THREATENED TO CUT MILITARY AID TO FORCE LUANDA TO MAKE CONCESSIONS.

MOSCOW AND LUANDA BOTH SUPPORT THE SO-CALLED "TRIPLE ZERO" OPTION, DESIGNED TO END FOREIGN MILITARY ASSISTANCE TO BOTH SIDES, A MEASURE THAT PROBABLY WOULD FAVOR THE GOVERNMENT.

LUANDA ALSO HAS LARGE STOCKPILES OF SOVIET-PROVIDED WEAPONS AND MUNITIONS THAT ALMOST CERTAINLY WOULD OUTLAST UNITA'S SUPPLIES IF OUTSIDE AID WERE CUT OFF. MOREOVER, LUANDA, WITH ACCESS TO MANY PORTS AND AIRFIELDS, COULD EASILY FIND WAYS TO DISGUISE CONTINUED WEAPONS DELIVERIES.

#### OUTLOOK

PRESIDENT DOS SANTOS, WHO MAY ADDRESS THE UN GENERAL ASSEMBLY ON 10 OCTOBER AND MIGHT TRAVEL ON TO WASHINGTON, PROBABLY HOPES THAT PROLONGED NEGOTIATIONS WILL WEAKEN UNITA'S POLITICAL POSITION AND ERODE ITS FOREIGN SUPPORT. RECENT INCREASES IN WORLD OIL PRICES MAY HAVE REDUCED HIS GOVERNMENT'S INCENTIVE TO NEGOTIATE AS INFUSIONS OF HARD CURRENCY MAKE WESTERN ARMS PURCHASES EASIER AND EASE PRESSURES TO BEGIN LONG DELAYED ECONOMIC AND POLITICAL REFORMS.

UNITA'S SAVIMBI--WHO PLANS TO BE IN WASHINGTON FROM 29 SEPTEMBER UNTIL 6 OCTOBER--WORRIES THAT EACH ROUND OF NEGOTIATIONS THAT ENDS INCONCLUSIVELY REPRESENTS A PROPAGANDA VICTORY FOR LUANDA.

#### 7. INTERNATIONAL: OIL MARKET OUTLOOK FOR 1991

THE LOSS OF KUWAITI AND IRAQI OIL EXPORTS, IF SUSTAINED THROUGH NEXT YEAR, PROBABLY WILL RAISE WORLD OIL PRICES TO \$30 TO \$40 PER BARREL; BEFORE THE INVASION THE AVERAGE PRICE WAS \$18 TO \$20. OCCASIONAL EVEN HIGHER PRICE SPIKES ARE POSSIBLE.

THE INVASION OF KUWAIT AND SUBSEQUENT BOYCOTT OF IRAQI EXPORTS REDUCED OIL PRODUCTION BY 4.3 MILLION BARRELS PER DAY--ABOUT 8 PERCENT OF TOTAL NON-COMMUNIST SUPPLIES--AND REMOVED A SIGNIFICANT AMOUNT OF HIGH-QUALITY REFINING CAPACITY. PREINVASION FORECASTS OF NON COMMUNIST DEMAND AND LIKELY OIL-PRODUCTION INCREASES THROUGH THE END OF NEXT YEAR INDICATE THAT THE AMOUNT AVAILABLE WILL BE ABOUT 1-1.5 MILLION B/D LESS THAN NECESSARY TO SUSTAIN THE FORMER PRICE RANGE.

#### LIKELY PRODUCTION OFFSETS

THE CAPACITY EXISTS TO OFFSET MUCH, BUT NOT ALL, OF THE LOST KUWAITI AND IRAQI EXPORTS. MOST SURPLUS OPEC CAPACITY PROBABLY WILL BE PUT TO USE OVER THE NEXT SEVERAL MONTHS:

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X--OTHER OPEC MEMBERS ARE LIKELY TO RAISE OUTPUT TO FULL CAPACITY.

NON-OPEC PRODUCTION IS LIKELY TO REACH FULL CAPACITY BY YEAREND AND REMAIN THERE THROUGH 1991. MOST OF THIS INCREASE WILL COME FROM OECD COUNTRIES AS A RESULT OF SUMMER MAINTENANCE WORK AND PREVIOUSLY PLANNED CAPACITY EXPANSIONS. ALTOGETHER, NON-COMMUNIST OIL SUPPLIES--EXCLUDING IRAQI AND KUWAITI EXPORTS--SHOULD RISE FROM A PREINVASION LEVEL OF 48.5 MILLION B/D TO 51.7 MILLION B/D BY YEAREND AND TO 52.6 MILLION B/D BY THE END OF 1991--OFFSETTING MOST OF THE LOST SUPPLIES BUT FALLING SHORT OF THE INCREASE IN DEMAND EXPECTED BEFORE THE INVASION.

#### CONSUMER RESPONSES

THE USE OF STRATEGIC STOCKS WOULD REDUCE MARKET INSTABILITY, BUT OTHER LEADING OIL-CONSUMING COUNTRIES APPEAR RELUCTANT TO USE SUCH INVENTORIES BEFORE TRYING OTHER POLICY OPTIONS. CURRENT NON-COMMUNIST STRATEGIC OIL INVENTORIES TOTAL 1.3 BILLION BARRELS, OF WHICH 1 BILLION ARE HELD BY OECD COUNTRIES. HOWEVER, INDICATE THAT JAPAN AND WEST GERMANY

#### ECONOMIC IMPACT ON THE OECD

A RISE IN WORLD OIL PRICES TO \$35 PER BARREL, IF SUSTAINED FOR A YEAR, WOULD HALVE THE OECD'S CURRENT 3-PERCENT ANNUAL ECONOMIC GROWTH RATE.

ALL OECD COUNTRIES--EVEN THE NET ENERGY EXPORTERS--WOULD BE HURT BY A SHARP INCREASE IN ENERGY PRICES. WITH OIL AT \$35 PER BARREL, US REAL GNP GROWTH PROBABLY WOULD SLOW FROM SLIGHTLY MORE THAN 2 PERCENT PER YEAR TO ABOUT ZERO, WITH NEGATIVE GROWTH IN THE FIRST TWO QUARTERS OF THE PRICE SHOCK.

A \$17-PER-BARREL OIL PRICE RISE WILL TRANSFER ABOUT \$110 BILLION FROM THE OECD TO NON-OECD EXPORTERS. THIS DIRECT LOSS IN PURCHASING POWER IS PARTIALLY COMPENSATED BY INCREASED IMPORTS BY OPEC AND THE OTHER LOC OIL EXPORTERS.

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IN ADDITION TO THE DIRECT  
EFFECT OF INCREASED IMPORT COSTS, THE OIL PRICE RISE WILL DRIVE UP  
PRICES IN GENERAL, CUTTING REAL INCOMES AND WEALTH, AND WILL FORCE  
UP INTEREST RATES, HELPING TO DAMPEN INVESTMENT.

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